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Mary Modelski
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Cook County Auditor
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July 16, 2020

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Department of Revenue iNovah Reconciliation Process. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our scope and objectives for this audit were designed to assess the overall iNovah Reconciliation Process implemented by the Department of Revenue to ensure proper controls are in place and all funds are accounted for and properly reconciled.

Please refer to the following audit report for the results of the audit. The audit report contains two recommendations. The Executive Summary provides an overview of the audit and recommendation areas.

We express our appreciation for the cooperation of the Department of Revenue staff extended to Ms. Maria Orozco during our audit. We have discussed our recommendations with the Department of Revenue staff and would be pleased to provide greater detail in order to assist the Department of Revenue with their implementation of our recommendations.

Respectfully Submitted,

Mary Modelski
Cook County Auditor

cc: Zahra Ali, Director of Revenue
Kenneth Harris, Deputy Director
Tjuana Porter, Director of Financial Control
Stacy Lopatowski, Internal Auditor



COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Department of Revenue- iNovah Reconciliation Process

Internal Audit Report

Report Date:
July 16, 2020

Issued By:
Mary Modelski, Cook County Auditor

Audit Conducted By:
Maria Orozco, Field Auditor IV
Julie Stack, Audit Supervisor

EXECUTIVE SUMMARY

The Office of the County Auditor (OCA) has completed an audit of the Department of Revenue (DOR) iNovah reconciliation process. The scope and objectives of the audit were designed to assess the process of the reconciliation in iNovah and to ensure proper controls are in place.

As a result of our audit, we presented recommendations to management, which will strengthen the overall internal control structure of the iNovah reconciliation process in the Department Of Revenue. The recommendations presented were the following:

- Develop a clear policy to define the processes utilized in addressing Non-Sufficient Funds (NSF's) to speed up the collection process ([Recommendation #1](#))
- Periodically review iNovah access rights to identify potential conflicts in the segregation of duties ([Recommendation #2](#))

The recommendations noted were presented to the Department of Revenue. Please refer to the [Recommendations](#) section for more detail on the recommendations including management responses, corrective action plans, and estimated completion dates.

BACKGROUND

The Department of Revenue's mission statement states their commitment to efficiently administer and equitably enforce compliance with Cook County Home Rule Taxes while providing courteous and professional service to the public. In addition to process Cook County fines, fees, and license applications in an accurate and timely manner.

The Department of Revenue was established by the Cook County Board of Commissioners in December 1992. The Department collects Cook County taxes, other fees, audits and maintains delinquent property tax records, and researches and proposes new revenue sources for the County.

The Department of Revenue collects and processes approximately \$460M per year. The Department of Revenue strives to increase tax compliance and collections while providing efficient service to customers. The taxes and types of fees collected by the Department of Revenue are alcoholic beverages, amusement, cigarette, gasoline and diesel fuel, new motor vehicle, parking, use and wheel taxes, cable television franchise fees, health insurance, lost identification fee, IBID payments, and off-track betting fees, as well as fees for Building and Zoning, Environmental Control and Real Estate Management, in addition to collecting licensing fees.

In order to facilitate the collection of such taxes and fees, the Department of Revenue has invested in the implementation of the iNovah system. The iNovah system was implemented to facilitate how constituents make payments and to ease the process by adding the convenience of using credit cards. iNovah interfaces all areas of revenue allowing for better revenue management.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of this audit were designed to assess the overall iNovah reconciliation process in the Department of Revenue to ensure that procedures are in place to accurately and efficiently account for the cash collected. Our audit consisted of an evaluation of the policies and procedures used by the Department of Revenue related to the iNovah reconciliation process.

The audit objectives were to determine the following:

- Policies and procedures exist over the iNovah system and area adhered to by staff.
- The preventive controls in place are sufficient to ensure all funds received are properly accounted for.
- Segregation of duties exists, where possible, over the collection, deposit, and reconciliation process.
- All funds received are properly accounted for and any variances can be explained and supported.
- Bank reconciliations are performed, reviewed, and approved by management in a timely manner.
- Access to iNovah Point of Sale (POS) system is monitored and restricted to authorized employees.
- Appropriate user access controls are in place to support the segregation of duties.

The following procedures were performed to assess the objectives regarding the Department of Revenue iNovah reconciliation process:

- Reviewed written policies and procedures, flowcharts, and/or processes to verify documentation was completed and thoroughly outlined key business processes
- Verified through visual observation current preventive controls in place were sufficient
- Requested flowcharts and access reports verifying proper segregation of duties over the collection, deposit and reconciliation process
- Reconciled transactions to verify funds were properly accounted for
- Reviewed monthly bank reconciliation to ensure they were completed, reviewed and approved by management in a timely manner
- Observed staff accessed the system through the use of passwords and passwords were not shared
- Requested iNovah access reports to verify user access and rights were adequate

RECOMMENDATIONS

Recommendation #1:

When conducting our walkthrough and interview of key staff members involved in the reconciliation process of iNovah, we discovered NSF's are not handled in a timely manner. Per the Department of Revenue NSF's notifications are sent to the departments once a month. Departments, such as Environmental Control, issues permits immediately. Receipt of the NSF notice a month after issuance of such permit means they lose leverage to potentially collect the money. Department of Revenue does not have policies and procedures regarding NSF. As a result, NSF's are not sent out timely and responsibility for collections and follow up has not been assigned accordingly. Aside from the timing issue several departments also expressed confusion on who was actually in charge of collecting the NSF fees. When we asked of the collection process the departments mentioned that they were under the impression the Department of Revenue was responsible for handling the collection of NSF fees.

We recommend that the Department of Revenue establishes an NSF policy and communicate to departments who currently utilize iNovah to clarify responsibility and actions to notify and collect on a more timely basis.

Management Response

We accept the Auditor's recommendations and a clear NSF policy has been defined by DOR and will be fully implemented as recommended. This process will speed up the collection process for recovering NSF payment and will be sent to the respective parties in a timely manner. Please see the attached NSF Policy. This policy was partially put in place as of December 1, 2019, and will be completely enforced by August 1, 2020.

Estimated Completion Date

August 1, 2020

Recommendation #2

iNovah access rights reports showed the Senior Collection Analyst, who is in charge of the daily reconciliation, has the same access rights as the Cashiers to edit, adjust, and void transactions. When we inquired why access was the same, we were told access was assigned at a time when the department was busy.

The lack of proper segregation of duties could lead to fraud and misappropriation of assets. Inadequate segregation of duties could also make fraud detection difficult.

Access rights should be reviewed and modified for the Senior Collection Analyst. The person charged with performing the daily iNovah reconciliation should be restricted to “read-only” access to avoid conflicts with segregation of duties. We recommend that access right reports also be periodically reviewed to identify potential conflicts.

Management Response

We accept the Auditor’s recommendations and will perform quarterly reviews of the access rights in iNovah Cashiering System beginning August 2020, to identify potential conflicts in the segregation of duties on a regular basis. iNovah has audit tracking capability where entries are tracked within iNovah and the user’s name is listed in the system.

Estimated Completion Date

August 2020